

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

RETAIL ACCESS OPTIMIZATION INITIATIVE, 2011

Docket No. N2011-1

**UNITED STATES POSTAL SERVICE RESPONSE TO  
PRESIDING OFFICER'S INFORMATION REQUEST NO. 2, QUESTION 12**  
((September 19, 2011))

The United States Postal Service provides its response to Question 12 of Presiding Officer's Information Request No. 2, dated August 24, 2011. The question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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12. Please refer to the Anthony M. Yezar model (the Model) described in the report "The Postal Service Retail Facility Location and Size Problem" (USPS Contract # 6HQ01G-09-B-0024) with HIS Global Insight.
- a. Please provide the data supporting the Model including the data on the socio-economic and geographical variables used in equation(20) of the Model and listed on page 19 of this report. In particular, (1) Total Revenue (*RA*) in a given postal facility/postal store; (2) Total Employment (*NE*) in the market area of the facility; (3) Total Households (*NH*) in the market area of the facility; (4) Dummy variables (*U*) used in the Model and equal to unity in large urban areas; (5) Median Household Income (*M*) in the area; (5) (sic) Indexes of both private mail employment (*IP*) and competitive private mail establishments (*IC*) in the market area (data on private mail employment and number of private mail establishments in the area is acceptable too); and Market radius of the facility  $\otimes$ . Please provide data for all 21,898 observations (USPS facilities/ZIP Code locations serving Postal Service facilities) used in supporting the Model.
  - b. Please provide the geographical identifier for each Postal Service facility/ZIP Code location that was used in the Model.
  - c. Has the Postal Service reviewed and considered the Model and related data in the context of its retail network planning efforts?
  - d. Does the Postal Service perceive any deficiencies in the Model in its potential application to the Postal Service's retail network planning efforts? If so, please describe all deficiencies in the Model that the Postal Service perceives.
  - e. Does the Postal Service have plans to make improvements in the Model to remedy such perceived deficiencies or otherwise? If so, please provide such plans.
  - f. Please explain whether and how the Postal Service is using or intends to use the Model and related data in the context of its retail network planning efforts.
  - g. Please refer to the U.S. Postal Service Office of Inspector General (USPS-OIG)'s Risk Analysis Research Center Report Number RARC-WP-10-004 which discusses (sic) and analyzes the Model and related data. Has the Postal Service reviewed and considered the USPS-OIG's discussion and analysis of the Model in the context of its retail network planning efforts?

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- h. Is the RAO Initiative based, in part, on the Model, the related data, or USPS-OIG's discussion and analysis of the Model?
- i. If your response to question 12.h. is in the affirmative, please explain what particular portions of the RAO Initiative were based on the Model, the related data, or the USPS-OIG's discussion and analysis of the Model.
- j. Please explain whether and how the Postal Service is using or intends to use USPS-OIG's discussion and analysis of the Model and related data in the context of its retail network planning efforts.
- k. Does the Postal Service currently have any plans to use the Model and related data in ways other than for its retail network planning efforts? If so, please provide such plans.

**RESPONSE:**

The Postal Service has in no way relied upon Dr. Yezer's work in RAOI. The contract cited by the question involved the United States Postal Service Office of the Inspector General (USPSOIG).

(a-k) The Postal Service has not studied Dr. Yezer's work for use in RAOI.

However, USPSOIG has provided those data files it received for the work cited in the question. The Postal Service is unable to answer any of the remaining questions; if they can be answered, it would be by means of examining the materials made available in the library reference.<sup>1</sup>

In questioning from the bench during the September 8, 2011 hearing, Vice-President, Delivery and Post Office Operations, Dean Granholm did, however,

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<sup>1</sup> Counsel is informed that answering the questions posed may well be monumentally challenging given the nature of the materials.

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acknowledge that the Postal Service intends to examine some of Dr. Yezer's work in the future.

COMMISSIONER HAMMOND: Okay. So does the Postal Service plan to do anything specific or atypical to determine or measure after the fact whether these goals [to better align postal retail facilities with demand] have been met?

THE WITNESS: I think we have to as part of this initiative. I don't think that they are well defined at this time. I think that that has been discussed by Mr. Boldt, but I think we have to have a review at the conclusion of this process on whether it was successful or not, and I would imagine that the Commission will at least through the initial process give us advice on that as well. I think some conversations have taken place dealing with the OIG, and their use of the Dr. Yezer model. We are investigating using those models as well going in the future. That is a way that we can look at the effectiveness of the current process as well moving forward using some modeling to see what the outcome of that result would be.

Tr. Vol. 1, at 620.